

Corangamite Shire

AGENDA

Special Council Meeting

5.00 pm • Tuesday 10 May 2016

*Killara Centre
210-212 Manifold Street, Camperdown*

Order of Business

1. PRAYER
2. APOLOGIES
3. DECLARATIONS OF CONFLICT OF INTEREST
4. DEPUTATIONS & PRESENTATIONS
5. OFFICERS' REPORTS

ANDREW MASON
CHIEF EXECUTIVE OFFICER

DISCLAIMER

The advice and information contained herein is given by the Council without liability or responsibility for its accuracy. Before placing any reliance on this advice or information, a written enquiry should be made to the Council giving the entire reason or reasons for seeking the advice or information and how it is proposed to be used.

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4. DEPUTATIONS & PRESENTATIONS

1. Members of the public may address Council under this section of the Agenda of an Ordinary Meeting of the Council if:
 - a) The person is addressing the Council in respect to a submission on an issue under Section 223 of the *Local Government Act*, or
 - b) The person has requested that they address Council on an issue and the Mayor has agreed that they be heard.
2. Requests to address Council must be received by 5.00 pm on the day prior to the scheduled Ordinary Meeting of the Council.
3. Presentations made to Council in this section of the Agenda may not exceed five minutes in length, although Councillors may ask questions proceeding each presentation. If a presentation exceeds five minutes in length, the Mayor may request that the presenter ceases to address Council immediately.

5. OFFICERS' REPORTS

5.1 Budget Referrals 2016-2017

Author: David Rae, Director Corporate and Community Services

File No: D16/255

Previous Council Reference: Nil

Declaration

Chief Executive Officer – Andrew Mason

In providing this advice to Council as the Chief Executive Officer, I have no interests to disclose in this report.

Author - David Rae

In providing this advice to Council as the Director Corporate and Community Services, I have no interests to disclose in this report.

Summary

The proposed 2016-2017 Budget contains items in which Councillors O'Connor and Trotter have indicated they have a conflict of interest.

The items proposed for inclusion in the 2016-2017 Budget in which the Councillors have indicated they have a conflict of interest will be dealt with by separate resolution within this report. Councillors O'Connor and Trotter must leave the meeting room whilst the resolution in respect of their conflict is considered.

Once the declarations has been made and the items which are the subject of the declarations are determined upon by Council, all Councillors are then able to vote on the proposed 2016-2017 Budget.

Introduction

Section 79C(2) of the *Local Government Act 1989* exempts a Councillor from a conflict of interest in circumstances when Council has previously approved the matter in which the Councillor has an interest, including funding, and the Councillor has disclosed the conflict of interest at the time the matter was approved by Council.

In developing the proposed 2016-2017 Budget, an extensive range of activities and initiatives have been considered for funding. The *Local Government Act 1989* requires a Councillor to declare any conflict of interest in relation to matters to be considered by Council and to leave the meeting for the duration of discussion and not vote on that matter.

This report provides the opportunity for any disclosures of direct and indirect interest to be documented before consideration of the Budget. For items approved in previous budgets and likely to be carried forward to 2016-2017 no further declaration is necessary.

Issues

Castle Carey Road Bridge

Cr O'Connor has declared a conflict of interest in respect of the proposed construction and realignment of Castle Carey Road Bridge.

The realignment will be constructed over three financial years at a cost of \$5.2 million with a net Council contribution of \$1.6 million. A business case for the project has been completed and it has been determined the investment to upgrade this important transport linkage will improve driver and passenger safety, result in a lower maintenance costs to Council and deliver significant economic benefits as it will allow for use by B Double freight vehicles, which currently need to utilise alternate and less convenient routes.

Federal and State Government funding of \$3.6 million has been budgeted to be received with \$2.6 million in Federal funding confirmed. Council officers continue to seek \$1 million in State Government funding towards the project. Design work has been completed.

Budgeted funding and cash flow (shown in \$ millions) is detailed below:

(a) Funding

Stage	Council Contribution	Grant Contribution	Total
Design	\$0.1		\$0.1
Stage 1	\$0.5	\$1.0	\$1.5
Stage 2	\$0.5	\$1.1	\$1.6
Stage 3	\$0.5	\$1.5	\$2.0
Total	\$1.6	\$3.6	\$5.2

(b) Cash Flow

Stage	15-16	16-17	17-18	18-19	Total
Design	\$0.1				\$0.1
Stage 1		\$1.5			\$1.5
Stage 2			\$1.6		\$1.6
Stage 3				\$2.0	\$2.0
Total	\$0.1	\$1.5	\$1.6	\$2.0	\$5.2

Barrett St, South-east of Church Street, Timboon, Footpath Renewal (Stage 2)

Cr Trotter has declared a conflict of interest in respect of the proposed renewal of an asphalt footpath located at Barrett Street, south-east of Church Street, Timboon. The renewal, which is in accordance with Council's asset management planning framework, is estimated to cost \$34,000. Stage 1 was completed during 2014-2015.

Policy and Legislative Context

This report has been prepared to address requirements of the *Local Government Act 1989*, specifically Section 79C(2), which deals with conflicts of interests for the purposes of approving an annual budget. This report is also in accordance with its commitment in the Council Plan 2013-2017 that:

Council will demonstrate high levels of ethical behaviour and corporate governance standards. We will make budgetary decisions that are reflective of our financial circumstances. We will advocate for and with the community to achieve outcomes.

Model contemporary standards of corporate governance and professional standards.

Financial and Resource Implications

The financial implications are addressed in the proposed 2016-2017 Budget.

Conclusion

The proposed 2016-2017 Budget includes funding for items which Councillors O'Connor and Trotter have declared a conflict of interest. A Councillor is taken to not have a conflict of interest for the purposes of approving a budget if Council approves the item and the proposed funding prior and the Councillor has disclosed the nature of the conflict in respect of the funding at that time. Council is asked to consider the items in which Councillors O'Connor and Trotter have declared a conflict of interest for inclusion in the 2016-2017 Council Budget and 2016-2020 Strategic Resource Plan.

RECOMMENDATION

That Council:

- 1) **With respect to Castle Carey Road Bridge:**
 - i) **Approve the construction and realignment of Castle Carey Road Bridge for \$5.2 million and its inclusion in the 2016-2020 Strategic Resource Plan at a net cost to Council of \$1.6 million.**
 - ii) **Approve funding for stage 1 for the construction and realignment of Castle Carey Road Bridge at a cost of \$1.5 million and Council contribution of \$500,000 for inclusion in the 2016-2017 Council Budget.**
- 2) **Approve funding the renewal of the footpath located at Barrett Street, south-east of Church Street, Timboon at a cost of \$34,000 for inclusion in the 2016-2017 Council Budget and 2016-2020 Strategic Resource Plan.**

5.2 Budget 2016-2017

Author: David Rae, Director Corporate and Community Services

File No: D16/175

Previous Council Reference: Nil

Declaration

Chief Executive Officer – Andrew Mason

In providing this advice to Council as the Chief Executive Officer, I have no interests to disclose in this report.

Author - David Rae

In providing this advice to Council as the Director Corporate and Community Services, I have no interests to disclose in this report.

Summary

To consider the proposed 2016-2017 Budget, incorporating the 2016-2017 Fees and Charges Schedule and 2016-2020 Strategic Resource Plan, in accordance with the *Local Government Act 1989* (the Act). The proposed 2016-2017 Budget is attached to this report under separate cover.

Introduction

The proposed 2016-2017 Budget for the financial year commencing 1 July 2016, has been developed in consultation with Councillors and officers and with reference to asset management and community plans.

The Budget document has been prepared on the basis of the best practice “model budget” as developed by the Local Government industry taskforce and issued to all municipalities across Victoria. The proposed Budget document has been developed under the following sections:

- Overview
- Budget Reports
- Budget Analysis
- Long Term Strategies
- Appendices, including fees and charges.

In accordance with the *Local Government Act 1989*, the Budget also includes linkages to the Council Plan 2013-2017 and also includes:

- Activities and initiatives to be funded.
- How the activities and initiatives will contribute to achieving the strategic objectives.
- The service performance indicators.

Issues

An operating surplus of \$5.72 million has been budgeted with a capital works program of \$15.348 million. Key performance indicators include delivery of a year-end unrestricted working capital ratio of 198%. Council has met the requirement of the rate cap and increased Rates and Charges by 2.5%. An additional 0.04% of rate income has been budgeted for income associated with new developments that have occurred during the current financial year, otherwise known as supplementary rate income, and increase costs associated with kerbside waste collection

The Budget is an essential planning and resource tool produced annually and is vital to the ongoing operational and financial viability of Council. It sets out the expected income and expenditure of both operational and capital activities for the coming year and also incorporates Council's rating and borrowing strategies. The Budget also ensures the accountability of Council's operations and forms part of the public accountability process.

The Budget has been prepared to ensure that Council continues to maintain its services and meet the objectives of Council's asset management framework and Strategic Resource Plan. The principles of sound financial management require Council to deliver recurrent operating surpluses, continue to invest in asset renewal and maintain adequate liquidity; the Budget presented delivers these outcomes.

The Budget document details the processes to be undertaken in order to adopt the Budget in accordance with the Act and the *Local Government (Planning and Reporting) Regulations 2014* (the Regulations). As required by the Regulations, the Budget also includes the prescribed performance indicators.

At the ordinary meeting in January 2016, Council resolved to prepare a draft budget taking into account the loss of approximately \$500,000 in rate income due to the rate cap announced by the Minister in December 2015. The draft budget includes various initiatives to absorb the impact. These initiatives are discussed below.

2016-2017 Budget Outcomes

Key financial outcomes for the 2016-2017 Budget are as follows:

	2016-2017 Budget
Operating result	\$5,726,426
Rate income	\$20,062,190
Underlying rate increase	2.50%
Total Increase in rates & charges on 2015-2016 Forecast	2.54%
Operating expenditure	\$28,012,613
Capital expenditure	\$15,348,500
Loan redemption including interest	\$1,097,134
Transfer to reserves	\$1,602,972
Total budget commitments	\$46,061,219
Cash balance at year end	\$ 12,097,000
New loans	nil
Working Capital Ratio (Unrestricted)	198%

Rate Income

Rates and Charges will account for 46% of the total Council revenue in 2016-2017. An increase in rate income is required to meet Council's aspirations and community expectations for new and existing infrastructure. The Strategic Resource Plan includes rate increases equal to an estimate of CPI over the next four years.

The proposed underlying increase in total rates and charges for 2016-2017 is 2.5%. The increase in the kerbside collection charge will be 2.71% to cover the cost of providing the service. This equates to an increase in total rates and charges of 2.54% on the 2015-2016 forecast. This is detailed below.

Type of Charge	2014-2015 Forecast	2016-2017 Budget	Increase	Comments
General Rates	18,092,361	18,548,552	2.52%	
Municipal Charge	1,473,640	1,513,638	2.71%	
	18,092,361	18,548,552	2.52%	Increase in rates and charges including supplementary rates
Garbage Charge	1,473,640	1,513,638	2.71%	Increase cost of service
TOTAL	19,566,001	20,062,190	2.54%	Total increase in rates & charges

Council is also responsible for collecting the Victorian State Government Fire Services Property Levy. The levy appears on rate notices as a separate charge. Council does not derive any benefit and is required to remit amounts collected to the State Revenue Office quarterly.

Differential Rates

Section 7 of the Budget includes details on the differential rates contained within the adopted Rating Strategy for 2014-2017. The differential rates include a reduction in the Farm Rate from 93% to 92% in accordance with Council's Rating Strategy.

User Fees and Charges

User fees and charges are projected to decrease by 11.9% or \$0.725 million over 2015-2016 to \$5.378 million. The main areas contributing to the decrease is a reduction in landfill and transfer station fees (\$420,000), a decrease in home care fees (\$76,000) and a decrease in private works income (\$42,000). Family Day Care fees are also budgeted to decrease by \$200,000, however, will be offset by lower contractor payments. Notwithstanding the decrease, all user fees have been increased by an average of 3.5% in line with expected inflationary trends over the budget period to maintain parity between user charges and the costs of service delivery.

Operating Expenditure

Council's budgeted operating expenditure for 2016-2017 will be \$28.012 million (on a "cash" basis). This represents a reduction of \$0.525 million, or 1.84% over the 2015-2016 Adopted Budget as per the following table:

	2015-2016 Adopted Budget	2016-2017 Draft Budget	2015-2016 v 2016-2017 Favourable / (Unfavourable)	
Operating Expenditure (Cash)	\$28,537,503	\$28,012,613	\$524,890	1.84%

Operating initiatives are contained within the budget and include:

• Waste Management Innovation Actions Stage 2	\$100,000
• Urban Street Tree Audit	\$90,000
• Community Grants Funding	\$50,000
• Finlay Avenue of Elms, Camperdown Arborist Assessment and Pruning stage 2	\$50,000
• Organisational Service Reviews - Year 1	\$50,000
• 2016-2017 Facility Grants	\$50,000
• Elm Leaf Beetle Management Plan and Treatment Program	\$50,000
• Planning Scheme Amendment following planning scheme review	\$50,000
• Terang Desert Ash Removal	\$40,000
• Community Planning – additional township funding	\$40,000
• Roadside Weed Control	\$40,000
• CBD Facade Improvement Program (Second Round)	\$30,000
• Environment Support Fund	\$30,000
• Simpson Bowling Club - Synthetic Green	\$30,000
• Beyond the Bell - local initiatives	\$25,000
• 2017-2021 Health and Well Being Plan	\$25,000

Capital Expenditure

The total Capital Works program will be \$15.349 million, of which of which \$8.081 million will come from Council operations, \$6.329 million from external grants, \$14,400 from special charge schemes, \$874,300 from asset sales, \$45,000 from cash back reserves and \$5,000 from community contributions. Details are provided in Section 3 and Section 6 of the attached Budget document. Council will continue to heavily invest in its road network through capital renewal which is also supplemented by programmed maintenance.

The 2016-2017 Capital works program includes:

- \$7.645 million on road assets with grant income of \$3.827 million budgeted.
- \$0.5 million of Council contribution for stage 1 of Castle Carey Road Bridge realignment at a cost of \$1.5 million. The total cost of the project is \$5.2 million over three financial years. Federal and State Government funding of \$3.6 million has been budget to be received with \$2.6 million in Federal funding confirmed. Council officers continue to seek \$1 million in State Government funding towards the project.
- \$2.161 million of heavy plant replacements.
- \$660,000 of streetscapes including \$350,000 for Port Campbell streetscape design.

The capital grant funding of \$6.329 million includes \$5.227 million in Roads to Recovery grants of which \$1.6 million is “recurrent” in nature and \$3.627 million “extraordinary”.

A substantial part of the capital works program is based on existing asset management plans. Other projects have been included to take advantage of external funding opportunities and to deliver community planning outcomes. Council’s renewal gap for 2016-2017 is projected to be 138% against a long-term target of 100%. This is high due to the additional Roads to Recovery Funding. Council’s four year Strategic Resource Plan (Section 14 of the Budget) forecasts an average annual renewal ratio of 117%.

Borrowings

The Budget provides for no new borrowings in 2016-2017. Council’s total debt at 30 June 2017 is budgeted to be \$2.223 million (after repaying \$0.957 million of loan principal) and will continue to be within prudential limits. Based on the current borrowing strategy it is projected Council will be debt free by June 2025.

Reserve Transfers

The Naroghid landfill has an estimated remaining life of 57 years. The current net present value estimate for restoration is \$4.9 million. The Budget includes the transfer of \$84,000 to reserve for future restoration costs. (This amount is reviewed annually.)

The Budget also recommends continuation of a cash-backed reserve for future defined benefit fund superannuation calls. A transfer of \$400,000 to the reserve is proposed. This allocation would create a reserve of \$1.2 million at 30 June 2017. The Strategic Resource Plan does not propose additional allocations.

An allocation of \$1 million is also recommended to be transferred to reserve for future asset renewal requirements. This reserve will ensure Council can continue to invest in its future road infrastructure renewal at existing standards and provides some certainty in a rate capping environment.

Rate Capping Initiatives

The Budget includes a variety of initiatives to deliver the required savings of \$500,000 to bridge the funding gap imposed by the rate cap. These initiatives have been developed over several months and will result in a broad reduction in costs which will be achieved through modifying or eliminating some services.

In identifying the initiatives there has been an emphasis on reviewing services currently provided by Council on behalf of the State Government. Conversely, alternative income sources were considered including a review of fees and charges where the underlying service mostly deliver benefits to individuals rather than the community. Engagement with stakeholders who will be impacted has commenced and will continue following public release of the draft budget.

The savings initiatives in the Budget which have a direct community impact are listed below.

(a) Detailed listing.

Initiative	Saving \$
Modified delivery for Arts and Culture services	53,170
Cease contribution to Timboon Health Service for HACC service delivery	53,000
Cease lawn and garden maintenance for Department of Housing facilities	32,000
Reduce Annual Swimming Pool Upgrades	30,000
Reduce Annual Playground Renewal	30,000
Reduction in building maintenance for community facilities	31,080
Reduction in SES contributions of 50%	26,700
Closure of Skipton Transfer Station	24,000
Reduce Public Art Program	20,000
Reduce frequency of roadside slashing	20,000
Reduce Public Toilet Upgrades	20,000
Environment Strategy – extend life of plan	20,000
Domestic Waste Water Management Plan – use for assessment only	20,000
Reduce frequency of BBQ cleaning	18,500
Modify provision of Recreation Give It a Go Week	13,500
Increase Family Day Care administration levy by 10%	12,000
Increase Pre School Administration fees by 10% from 2017	10,000
Reduced Funding for Camperdown Cruise Rockabilly Festival	10,000
Reduce Environment Support Fund and Community Grants	10,000
Increase Mobile Child Care Fees by 10%	10,000
Reduce contribution to Port Campbell Recreation Reserve	8,500
Introduce perennial plant varieties to garden beds	6,000
Fund Business Networking Function with existing resources	5,500
Reduce scope of Health and Wellbeing Plan actions	5,000
Reduce cost to Council of Food and Wine Event	5,000
Reduce costs associated with monument conservation	3,900
Reduce costs associated with open space furniture and equipment	3,000
Cease contribution to Mt Pordon CFA observation tower	2,500
Reduce Senior Citizen Centres contributions	2,000
Cease street stall support and contributions	1,320
Increase In-Home Care administration levy by 10%	1,000
Cease contribution to South West Sport Assembly Awards	1,000
	\$508,670

(b) Summary Listing.

Recurrent savings	388,670
Non-Recurrent savings	20,000
Capital savings	<u>100,000</u>
	<u>\$508,760</u>

In addition to these initiatives a further \$291,500 in recurrent savings have been included within the proposed budget. These initiatives have an internal impact and will be realised by not replacing vacant positions (\$111,000), implementation of a variety of efficiency and innovative solutions (\$75,000), contractual savings (\$30,000) and cost reductions (\$75,900).

Cumulative recurrent savings initiatives within the draft budget total \$680,170. Of the savings \$50,000 has been reallocated to new initiatives, \$75,000 is associated with a short-term contract saving, \$50,000 will be allocated towards organisational service reviews and the remaining \$505,170 delivers the required recurrent savings to absorb the impact of rate capping.

Statutory Disclosures

The 2016-2017 Budget includes the disclosure requirements of the *Local Government Act 1989* and the *Local Government (Finance and Reporting) Regulations 2014*. The required statutory information pertaining to Rates and Charges is detailed within Section 7.

Policy and Legislative Context

Council is required under the Act to adopt the Budget by 30 June 2016 and the Strategic Resource Plan by 30 June 2016. Council is required to undertake public consultation as part of the process. The Budget is Council's annual financial strategic document and has been prepared, including the Strategic Resource Plan, in accordance with its commitment in the Council Plan 2013-2017 that:

Council will demonstrate high levels of ethical behaviour and corporate governance standards. We will make budgetary decisions that are reflective of our financial circumstances. We will advocate for and with the community to achieve outcomes.

Model contemporary standards of corporate governance and professional standards.

Council will recognise and make decisions that reflect our financial circumstances.

Internal / External Consultation

Council will advertise the 2016-2017 Budget and call for public submissions under Section 223 of the *Local Government Act 1989*. Any person making a submission and wishing to be heard in support of their submission will have an opportunity to do so at a meeting of a Committee of the whole Council at 10.15 am on 14 June 2016. It is recommended a special Council meeting be held at 5.00 pm on 14 June 2016, to which the outcomes from those discussions and submissions will be reported and the Budget may be adopted with or without amendment.

Financial and Resource Implications

The Budget has been prepared in accordance with the direction provided by Council and in accordance with Council's Long Term Financial Plan. The Budget has been prepared within the following parameters:

- A 2.54% in rates and charges which results from compliance with the rate cap of 2.5% plus 0.04% due to supplementary rates and costs associated with kerbside waste collection.
- An operating result of \$5.726 million.
- A capital works program of \$15.349 million.
- An unrestricted working capital ratio of 198% to maintain a solid liquidity buffer for Council to meet its short term obligations.
- A debt commitment ratio of 5.5% and total indebtedness ratio (as a percentage of own source revenue) of 28.1%.
- Capital budgets have been prepared in accordance with good asset management principles.
- Operating budgets have been prepared to deliver the required savings of \$500,000 to bridge the funding gap imposed by the rate cap as maintaining services at 2015-2016 levels was not possible without compromising Council's financial position.

Contained within the 2016-2017 Budget document is:

- Detailed information on project initiatives, staffing and resources.
- Detailed capital works program included proposed future capital expenditure (Section 3 and Section 6).
- 2016-2017 Fees and Charge Schedule (Appendix A).
- 2016-2017 Strategic Resource Plan (Section 14).

Options

Council may approve the 2016-2017 Budget for public exhibition, incorporating the 2016-2017 Fees and Charges Schedule and 2016-2020 Strategic Resource Plan, as presented with or without amendments.

Conclusion

The 2016-2017 Budget maintains Council's sound financial position with a strong commitment to a high standard of services, complemented by a significant capital works program.

The 2016-2017 Budget presented to Council is balanced and has regard to the key indicators that reflect Council's financial sustainability. The budget incorporates a variety of initiatives to absorb the impact of rate capping. Incorporating these initiatives is financially prudent and is necessary to ensure Council's ongoing financial sustainability.

The attached Budget has been prepared in accordance with the best practice "model budget" and constitutes the public document that will be subject to public review.

RECOMMENDATION

That:

1. The 2016-2017 Budget, incorporating the 2016-2017 Fees and Charges Schedule (Appendix A), annexed to this resolution be the Budget prepared by Council in accordance with Section 127 of the *Local Government Act 1989*.
2. The 2016-2020 Strategic Resource Plan, Section 14 of the 2016-2017 Budget annexed to this resolution, be the Strategic Resource Plan prepared by Council in accordance with Section 126 of the *Local Government Act 1989*.
3. Public notice and inspection:
 - (a) Public notice of the preparation of the 2016-2017 Budget, incorporating the 2016-2017 Fees and Charges Schedule (Appendix A), in accordance with Section 129(1) of the *Local Government Act 1989* be given.
 - (b) Public notice of the preparation of the 2016-2020 Strategic Resource Plan in accordance with Section 223 of the *Local Government Act 1989* be given.
 - (c) The 2016-2017 Budget, incorporating the 2016-2017 Fees and Charges Schedule (Appendix A) and 2016-2020 Strategic Resource Plan (Section 14), be made available for public inspection at the Camperdown Civic Centre, Camperdown Library, Cobden Library, Derrinallum Library, Terang Library, Timboon Library, Port Campbell Visitor Information Centre and on Council's website.
4. Submissions:
 - (a) Any person who lodges a written submission in respect of the 2016-2017 Budget, incorporating the 2016-2017 Fees and Charges Schedule, or 2016-2020 Strategic Resource Plan and has requested to be heard in support of such written submission be heard by the Committee of the whole Council at a meeting commencing at 10.15 am on 14 June 2016.
5. A special meeting of Council be held to adopt the 2016-2017 Budget, incorporating the 2016-2017 Fees and Charges Schedule, and 2016-2020 Strategic Resource Plan at 5.00 pm on 14 June 2016 at the Killara Centre, 210-212 Manifold Street, Camperdown.

Attachments

1. Draft Budget 2016-2017 - Under Separate Cover